

Money Fund Report®

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LEADING THE INDUSTRY IN MONEY FUND NEWS

#1878

◆ BNP PARIBAS SEEKS TO GROW DOLLAR-BASED FUND ASSETS

Rena Walsh says she joined Fischer Francis Trees & Watts, the U.S. and global fixed-income partner of BNP Paribas Investment Partners, as head of money markets in September because she was “attracted to both the opportunity to get back on the portfolio management side of the business and to the challenge of growing the U.S. business of a major global asset manager.”

Walsh, a former money-market fund portfolio manager at State Street Global Advisors, has more than 25 years of experience in institutional fixed-income investment management and is based in New York. She reports to Guy Williams, chief investment officer.

“I believe this is a perfect role for me,” Walsh told iMoneyNet. “Within BNP Paribas Investment Partners, we are streamlining management of strategies and I am responsible for U.S. dollar-denominated money-market strategies, regardless of domicile; similarly FFTW manages the USD fixed-income strategies for BNP Paribas Investment Partners.”

As of Dec. 2, the 27 BNP Paribas offshore funds held \$23.11 billion, when converted to dollars – a decrease of \$1.69 billion from the previous week’s \$24.80 billion. It ranked as the 11th-largest complex with a 3.17 percent market share, according to Money Fund Analyzer™ data. Additionally, as of Dec. 2, the nine BNP Paribas USD funds alone placed 14th in weekly market share with assets totaling \$3.59 billion.

The BNP Paribas offshore funds include the former Fortis Global Liquidity Funds PLC and its subfunds that were rebranded, respectively, effective Oct. 5, 2010 into BNP Paribas Global Liquidity Funds PLC and the BNP Paribas U.S. Dollar Fund, BNP Paribas Sterling Fund, and BNP Paribas Euro Fund. BNP Paribas acquired Fortis Bank in May 2009. The former ABN Amro funds were also rebranded as BNP Paribas funds after the Fortis and ABN Amro funds merged in July 2010. BNP Paribas does not operate any Rule 2a-7 money funds here.

“We believe we should have a larger presence and are looking to grow USD-denominated fund assets, leveraging strong bank relationships as well as working through platforms. Currently we are still aligning products in the region and building a critical mass of assets,” Walsh explained. “Long term, obviously, we want to grow the USD fund assets to be a larger portion of the firm’s overall assets under management.”

“We are reviewing all of our options, including expanding subadvisory relationships and separate management mandates,” Walsh added. BNP Paribas is the sixth-largest asset manager in Europe and ranked 14th in the world, according to its own figures.

Looking Ahead

“Current market conditions continue to challenge the MMF universe and to pressure the economics of providing (money funds),” said Walsh, reflecting on discussion of regulatory changes that would impact fund companies and investors. “The prime money-market fund universe is already significantly smaller than its peak and therefore less of a systemic risk for the regulators to worry about.”

Walsh stated, “I think the only certainty is that we will have more change in the regulatory environment for money-market funds.” Several industry recommendations are being discussed, she noted, and because of the diversity in the industry such as cash flows and shareholder composition for each fund, “There may be

several solutions and not just one solution to fit all funds.”

Regardless of regulatory changes or low returns affecting money-market funds, Walsh observed that investors are still investing in them.

“Money-market funds are providing a service that clients need, such as professional management during these uncertain times, high credit quality and diversification of credit risk, along with daily liquidity and operational efficiencies,” she concluded. ♦

◆ CFTC REVISES RULES FOR MMF INVESTMENTS

The Commodity Futures Trading Commission at its Dec. 5 session unanimously approved a rule change that restricts how brokers invest client funds in money-market mutual funds, among other investment categories. The agency tightened the regulatory framework which in 2005 expanded the asset classes where brokers could invest client funds; MMFs were among the sectors included in the expansion.

After delaying a decision expected in July, the Commission approved “The Final Rule on Investment of Customer Funds and Funds Held in an Account for Foreign Futures and Options Transactions” to “better mitigate credit-, liquidity- and market-risk, and ensure preservation of principal and maintenance of liquidity.”

The rule states that futures commission merchants and derivatives clearing organizations may invest up to 10 percent of their customer-held funds in MMFs with assets below \$1.0 billion and/or a management company with less than \$25.0 billion of MMF assets under management. An FCM or DCO may invest 100 percent of customer assets in funds meeting both requirements, subject to additional limitations.

No asset-based concentration limit was set for investment of customer funds by FCMs and DCOs in Treasury-only MMFs, while up to 50 percent may be invested in all types of money-market funds. Additionally, FCMs and DCOs investing in non-Treasury funds may not invest any more than 25 percent of assets in one fund family and no more than 10 percent in any individual money-market fund.

The rule will take effect 60 days after its publication in the *Federal Register*. Brokers would be required to comply within 180 days of publication. According to the CFTC, the action is a direct result of the Dodd-Frank Act’s mandate that federal agencies review their respective regulations pertaining to the credit-worthiness of securities and money-market instruments with the intent to reduce reliance on credit-rating agencies. ♦

MFR COMMENTARY

Net assets of 1,115 Taxable MMFs increased by \$7.01 billion to \$2.362 trillion as of Dec. 6. Taxable Institutional funds rose by \$4.99 billion; Taxable Retail funds rose by \$2.02 billion.

The iMoneyNet Money Fund Average™/All Taxable 7-Day Yield held steady at 0.02 percent for a 19th consecutive week. The All Taxable 30-Day Yield remained at 0.02 percent for a 17th straight week. The WAM was unchanged from the previous week at 43 days.

The 469 Tax-Free and Municipal MMFs experienced inflows of \$5.27 billion, raising the total to \$289.94 billion as of Dec. 5.

The iMoneyNet Money Fund Average™/All Tax-Free 7-Day Yield remained at 0.01 percent for a 14th consecutive week. The All Tax-Free 30-Day Yield was 0.01 percent for a 13th straight week. The WAM remained at 33 days for a second consecutive week.

Total net assets of 1,584 Taxable and Tax-Free money funds increased by \$12.28 billion, raising the grand total to \$2.652 trillion.

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SUMMARY OF MONEY FUND ACTIVITY

Period Ending: 12/6/11 — Taxable Funds • 12/5/11 — Tax-Free Funds

# of Money Funds	Net Assets (\$Mils)	1-Week Change		7-Day Yield (%)	30-Day Yield (%)	Compound 7-Day Yield (%)	Compound 30-Day Yield (%)	12-Month Yield (%) (10/11)	Average Maturity (Days)
Taxable Money Funds									
32	70,796.1	-81.5	Treasury Retail	0.00	0.00	0.00	0.00	0.01	53
32	70,877.6			0.00	0.00	0.00	0.00		54
41	16,966.3	-267.9	Treas & Repo Retail	0.01	0.00	0.01	0.00	0.00	41
41	17,234.2			0.01	0.00	0.01	0.00		40
114	110,854.0	804.0	Govt & Agency Retail	0.01	0.01	0.01	0.01	0.01	45
116	110,050.0			0.01	0.01	0.01	0.01		44
187	198,616.4	454.6	Government Retail	0.01	0.01	0.01	0.01	0.01	47
189	198,161.8			0.01	0.01	0.01	0.01		47
316	524,821.4	1,560.5	First Tier Retail	0.01	0.01	0.01	0.01	0.02	44
319	523,260.9			0.01	0.01	0.01	0.01		44
316	524,821.4	1,560.5	Prime Retail	0.01	0.01	0.01	0.01	0.02	44
319	523,260.9			0.01	0.01	0.01	0.01		44
503	723,437.8	2,015.1	Taxable Retail	0.01	0.01	0.01	0.01	0.01	45
508	721,422.7			0.01	0.01	0.01	0.01		45
330	719,955.4	3,935.3	Government Institutional	0.01	0.01	0.01	0.01	0.01	47
329	716,020.1			0.01	0.01	0.01	0.01		46
282	918,769.5	1,056.2	First Tier Inst	0.05	0.05	0.05	0.05	0.05	39
282	917,713.3			0.05	0.05	0.05	0.05		39
282	918,769.5	1,056.2	Prime Institutional	0.05	0.05	0.05	0.05	0.05	39
282	917,713.3			0.05	0.05	0.05	0.05		39
612	1,638,724.9	4,991.5	Taxable Institutional	0.03	0.03	0.03	0.03	0.03	42
611	1,633,733.4			0.03	0.03	0.03	0.03		42
1115	2,362,162.7	7,006.6	Taxable (All)						
1119	2,355,156.1								
iMoneyNet MONEY FUND AVERAGE™/Taxable (All)				0.02	0.02	0.02	0.02	0.02	43
PriorWeek's Averages				0.02	0.02	0.02	0.02		43
Tax-Free Money Funds									
95	118,763.3	1,653.7	Tax-Free National Retail	0.01	0.01	0.01	0.01	0.02	32
97	117,109.6			0.01	0.01	0.01	0.01		32
122	88,417.1	2,542.3	Tax-Free National Inst	0.02	0.02	0.02	0.02	0.04	32
123	85,874.8			0.02	0.02	0.02	0.02		33
152	69,754.1	702.6	Tax-Free State Retail	0.01	0.01	0.01	0.01	0.01	35
152	69,051.5			0.01	0.01	0.01	0.01		35
100	13,006.4	370.0	Tax-Free State Inst	0.01	0.01	0.01	0.01	0.02	32
100	12,636.4			0.01	0.01	0.01	0.01		33
469	289,940.9	5,268.6	Tax-Free (All)						
472	284,672.3								
iMoneyNet MONEY FUND AVERAGE™/Tax-Free (All)				0.01	0.01	0.01	0.01	0.02	33
PriorWeek's Averages				0.01	0.01	0.01	0.01		33
1584	2,652,103.6	12,275.2	Grand Total - MMFs (All)						
1591	2,639,828.4								

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7- and 30-day yields represent annualized results for the periods, net of management fees and expenses. 12-month yields assume reinvestment of dividends for up to one year. Money Fund Report® Compound Averages follow the calculation method approved by the SEC:

$$\text{compound average} = \left(\left\{ 1 + \frac{\text{7-day average yield}}{(100 \times 52.142857)} \right\}^{52.142857} - 1 \right) * 100$$